

# Request for Decision



To: Regular Meeting

From: **Development, Engineering & Planning**

Date: July 15, 2019

Subject: Consideration of in-kind support for property owners in DMAF land acquisition

Recommendation: **THAT Council endorses the Policy Objectives and Process for the buy out; and THAT Council directs staff to hold exploratory discussions with landowners on identified options and present findings to Council for decision.**

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## Background

Under the recently-announced Disaster Mitigation and Adaptation Fund Federal-Provincial partnership funding, the City learned the pre-flood appraised values would not be eligible costs. Staff is identifying options for in-kind support to enable landowners to have successful transitions.

The difference between pre-flood and post flood value for properties with homes ranges from \$11,000 to \$358,000, with an average loss of \$79,000 and median loss of \$68,400. Post-flood values themselves range from \$20,000 to \$438,000, with an average value of \$118,369 and median value of \$100,750. Total difference between pre and post-flood values is estimated at \$6.6 million.

The Disaster Financial Assistance payouts for that area were about \$2.2m. Insurance payments are not known although most of these properties are believed to have been uninsured as they received DFA funds.

The impact of the buyout at current market value on households will vary widely depending on their existing assets or debts and other non-tangible resources, including whether they received Disaster Financial Assistance or insurance. The bottom line is that half of the households would receive less than \$100,000 for their property with 24 households receiving less than \$60,000 if receiving only current market value. Receiving this amount of compensation would not enable property owners to replace their dwelling with something similar in the area and in many cases is less than what is owed on a mortgage.

Given that Council had advocated for pre-flood values in the funding but current market values are eligible costs under the grant, the question under consideration is the role and the degree of the City in supporting property owners in the buy-out area toward viable relocation within Grand Forks.

## Policy Objectives and Process

Identification and implementation of in-kind support requires strategic and policy consideration by Council as the scope of decisions is outside of existing policy. These considerations are recommended to be discussed, amended as needed, and weighed by Council in selecting options for in-kind support.

Other policies and objectives may be drawn from the Official Community Plan, Strategic Plan, and the Recovery Strategic Objectives developed and endorsed last summer.

The following policy considerations are recommended for discussion:

- 1) Affordable and attainable housing: Council aims to support viable and attainable options for relocation of all homeowners in the buy out area within their respective means.
  - a. In-kind supports may be provided according to need and level of means.
  - b. As an example, households with less than \$100,000 in assets and less than \$3,000 per month for two incomes could be supported with the greatest level of in-kind support.
- 2) Equity and fairness: Council will not provide a financial lift to the overall asset value of property owners through in-kind assistance.
  - a. This ensures that property owners receiving in-kind assistance have no further direct financial support than a property owner that has found or is planning to find other options attainable to them (i.e. outside of the city).
- 3) Sound investment: planning, development and servicing investments provide a long-term benefit for the City or leverage additional development.
  - a. Lifecycle costs are able to be paid for over the life of development through taxes, lease income, servicing fees, and utility fees.
- 4) Minimize administrative complexity: options must be with the capacity of the City's Development and Engineering mitigation team, community partners or contracted management support.

The overall process for buy outs is proposed as follows:

- 1) Request for proposals / procurement for contracted purchase team (July-August)
- 2) Assessment of property owner needs (July-September, department with support from Case Management)
- 3) Confirmation of City in-kind commitments (September)
- 4) Updated current market value property appraisal (August-October)
- 5) Landowner discussion and agreement on purchase price and in-kind consideration (no earlier than September, timeline to be announced based on contracted purchase team and updated appraisals)

Realty transaction and possession by City between October 2019 and 2020-2021, depending on location of property and associated capital project phase.

## **Affordable and Attainable Housing Options**

Three broad target groups have been identified with different housing outcomes based on a range of in-kind supports or policy solutions. The following are preliminary options potentially suitable to their needs and within the City's purview to provide.

- A) Households with assets following the flood and buy-out that are insufficient for attaining new real property
  - 1. Priority placement, reduced means test in Affordable Housing @ 19<sup>th</sup> St.
    - Enables property owners with limited assets (group A) to have affordable rental. Also provides interim option for group B property owners while waiting for other attainable ownership options to develop.
    - Policy decision request to BC Housing and administered by housing provider
    - No cost to City, low administrative cost to provider, and no new capacity needs
    - Further questions: Is there a target number of units to be reserved for this stream? Is there a timeline that the asset test would be waived (i.e. 5 years)?
  - 2. City incentives for rental unit development using revitalization tax exemption bylaw
    - Would waive tax increase on new improvements for rental purposes (accessory unit or purpose built) for up to ten years
    - Would be subject to a contract ensuring the unit remains a rental.
    - No incremental financial cost to the City, but low to medium administrative overhead for the City and housing partner
    - Revisions to the Revitalization Tax Exemption Program introduced October 2018
- B) Households that can attain a partial improvement asset (i.e. owned dwelling) but not land ownership
  - 1. Providing City land on a long-term lease to maintain affordability and allowing ownership of improvements (moved house, manufactured home, modular home).
    - Would support households to own dwellings that they can improve or sell over time without appreciation of land value.
    - Providing servicing and land development for new residential sites. Would likely require borrowing bylaw and referendum or alternative approval. Lease rate would need to pay back land development and servicing plus asset renewal and loan carrying costs. Site options and preliminary costing would be provided in future report.
    - If home is moveable, using cost of demolition above foundation to be applied to moving the home as well as logistics support
    - Providing zoning and permitting support for manufactured homes and tiny homes
    - Explore land trust and cooperative options for long-term tenure and management of City land dedicated for affordable housing
    - Medium to high incremental financial cost with long payback timeline and medium administrative and capacity costs.
- C) Households that can attain land and improvement assets but only with in-kind support

1. Provide City-owned lots for sale at market value with servicing costs recovered over time through local service area. Would support property owners able to move homes or purchase modular or manufactured home to attain dwelling at lower up-front cost.
  - Revenue could support servicing costs for larger projects under B1
  - Smaller lot size would be favoured to maintain affordability and asset management values.
  - Explore partial ownership of land by City (i.e. equity financing of a portion of property value to be recouped on future sale of property) to reduce up-front cost to purchasers
  - Low financial cost and low administrative costs, though equity financing may require partnership with Credit Union or other lending partner. Reduces City-owned residential land pool.
2. Explore partnership-based townhouse or condominium project on City land
  - Third party development and financing of a project on City-owned land would pass savings in land value on to owners with affordability contract in place with developer
  - Low financial cost but medium administrative effort seeking and securing partnerships
  - Opportunity for cooperative housing venture instead of conventional developer ownership and financing.

## Next Steps

Following direction from Council based on this recommendation, staff would host a series of small group discussions with property owners in the buy out area and their case managers to understand how these in-kind supports may work for enabling a viable transition and relocation within Grand Forks. Feedback and further ideas generated will be presented back for Council consideration following these meetings.

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## Benefits or Impacts

### Strategic Impact



#### Community Engagement

- Strategic solutions developed in dialogue with affected residents and property owners



#### Economic Growth

- Maintains or increases affordable and attainable housing for residents and workforce



#### Fiscal Responsibility

- Ensures developments and in-kind supports are within the long-term means of the City

#### **Policy/Legislation**

Local Government Act, Community Charter; Official Community Plan, Zoning Bylaw, and multiple others.

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#### **Recommendation**

**THAT Council endorses the Policy Objectives and Process for the buy out; and THAT Council directs staff to hold exploratory discussions with landowners on identified options and present findings to Council for decision.**

#### **Options**

1. THAT Council accepts the report.
2. THAT Council does not accept the report.
3. THAT Council refers the matter back to staff for further information.